COMMENTARY

The high cost of zero emissions

John McLaurin

DOES CALIFORNIA WANT international trade, or is the state pursuing a policy to drive cargo and jobs away?

That's a question marine terminal operators and shipping lines are asking with increased regularity. I'm sure other players in California's supply chain are having similar conversations.

With the world's most stringent environmental regulations, California state, regional, and local agencies are proposing new, overlapping regulations that will drive trade and jobs away from California. If that's the goal of these regulators, then they are sending a strong signal. If not, then these agencies need to step back and develop more holistic plans that continue the environmental progress without making our ports unwelcoming.

The move to zero emissions is a laudable goal, but it's one constrained by the lack of available funding, a permitting process that takes more than a dozen years to complete, and the lack of commercially available technology and/or equipment that makes economic sense.

Lost in the multijurisdictional regulatory quest to zero emissions is the impact these mandates will have on jobs.

Let's start with the ports of Los Angeles and Long Beach. Both recently adopted a Clean Air Action Plan (CAAP) to require a transition to zero emissions by 2030, without a plan for financing or facilitating such a massive undertaking. The cost of the ports' and industry's past efforts to reduce 96 percent of diesel particulate matter from trucks and marine terminal equipment was approximately $2 billion. The ports also have pointed out that it would cost more than $14 billion to eliminate the remaining 4 percent — and according to the ports, these costs would "… place an enormous financial burden on the ports and the goods movement industry."

In addition to the CAAP (local regulation), the South Coast Air Quality Management District (regional regulation) is proceeding with plans to adopt Indirect Source Rules (ISR) for marine terminals, warehouses, and distribution centers. ISRs hold facilities operationally and legally responsible for emissions from third-party members of the logistics chain (e.g., marine terminals or warehouses will be responsible for the trucks that pick up or drop off cargo). The facility would be subjected to fines and/or limits and caps on business activity.

In the case of marine terminals, an ISR could mean turning away trucks, trains, and ships (with it cargo and jobs) when government-imposed emissions levels are met. Even zero-emission terminals will be fined for emissions from the customers of their customers, companies over which the terminal exerts no control. ISRs represent a backhanded way for a regulatory agency to exercise jurisdiction over emission sources that they have no mandate to control.

At the state level, unlike any other industrial sector in California, the California Air Resources Board (CARB) staff is proposing that marine terminals spend billions of dollars to convert their facilities to zero emissions starting in 2022, to be completed by 2031. The proposal lacks any mention of flexibility or impact to port competitiveness. Further, the compliance time is unrealistic because permits for major projects such as a transformation of a marine terminal take years to obtain under the California Environmental Quality Act.

To make matters worse, when combined with an ISR as proposed by the SCAQMD, the CARB proposal would place marine terminals in a position of spending billions on zero-emission technology but would then subject the terminals to fines, penalties, or operational limits for the air emissions from trucks, trains, and ships — sources they don't control.

Absent a counterbalancing program of support for California's ports and supply chain, overlapping regulatory efforts by multiple levels of government to make California's supply chain zero emission will severely constrain everyone who handles or receives domestic and international freight, including warehouses, distribution facilities, airports, ports, trucks, railroads, manufacturers, exporters, importers, and retailers. And if cargo is diverted from West Coast ports to other trade gateways in order to avoid increased costs, California's regulators will ironically increase greenhouse gas emissions, as a recent study has shown.

Lost in the multijurisdictional regulatory quest to zero emissions is the impact these mandates will have on jobs (one in nine Southern California jobs) and California logistics companies that contribute billions of dollars to the California economy. Having these conversations after the jobs are gone and the cargo has moved to other ports of call is too late. JOC

John McLaurin is president of the Pacific Merchant Shipping Association. Learn more at www.pmsaship.com.